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VIRGINIA BUSINESS REPORT

Postscript For December, 1984

The December figures for retail sales taxed under Virginia's General Sales and Use Tax now are available, giving a broader picture of the Christmas season for Virginia retailers. December 1984 retail sales were up 8.7 percent compared to last December, not quite the 10 percent increase we predicted but still a substantial gain from the very strong December 1983 levels. Remember also that our November retail sales growth was almost twice the national rate. Some early buying, especially around Thanksgiving, certainly affected the December growth. How did our December sales compare to the national performance? The February 13 release by the Department of Commerce shows adjusted retail sales excluding the automobile group increased nationally by 7.3 percent from December to December (the automobile group is excluded for comparability since new car sales are not included in the Virginia General Sales Tax data). Therefore Virginia's retail sales growth of 8.7 percent exceeded the national average. The last column of Table II gives the percent changes by area as well as for the State. Nine of the 17 areas achieved double-digit gains; and only four areas had retail sales below last December.

Business in Virginia January, 1985 Data

As stated in the November issue, we expect the first quarter 1985 growth in Virginia to be strong, led by consumer spending for nondurable goods and services with lower growth in durable goods demand and little or no growth in building permits above the exceptional levels of early 1984. Employment growth year over year should be fairly strong in the first quarter, followed by more moderate growth in the rest of the year. The January business data, and the employment data now available for December, support those expectations.

Building permits in January were up only 2.1 percent Statewide from the high levels of January 1984. The wide range in the growth rates across areas implies the January permits largely were for commercial building or large developments, with the severe weather mainly delaying planned single-family housing starts. However, the low January growth did match expectations, and overall it still represents a high level of planned construction. New car registrations also grew at a very modest pace Statewide, pointing to slowing growth in demand for major durable goods.

The strongest evidence for our expected first quarter scenario was the 20.3 percent increase in retail sales for the Bureau's sample of retail establishments. This sample, as described last month, tracks the sales of established businesses and does not reflect growth produced by new stores. However, these establishments had a very good January, in spite of the weather. Far better than nationally, where the comparable advance report was only 3.0 percent sales growth. Virginia retailers in general had strong promotions in January as indicated by the 10.4 percent growth in newspaper advertising linage. Our early evidence implies these promotions did attract large numbers of shoppers. Will retail growth in Virginia continue after the clearance sales? Most probably, but at only about one-half of the 20 percent growth seen in January.

The 4.8 percent decrease in electricity consumed and the low 2.0 percent gain in water consumed imply lower production rates in Virginia in January. However, continued strong consumer demand and lower inventories can be expected to generate increased orders and production rates during the first quarter. December nonagricultural employment was 3.8 percent above December 1983, slightly above

Chart I
Nine Selected Business & Economic Indicators Percentage Change
Percentage Change January, 1985 from January, 1984

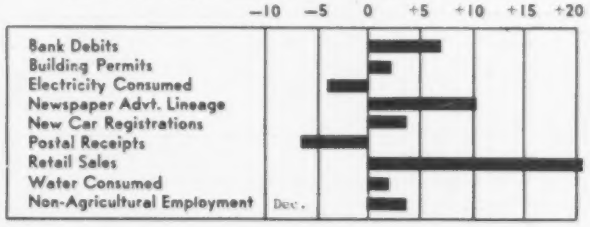
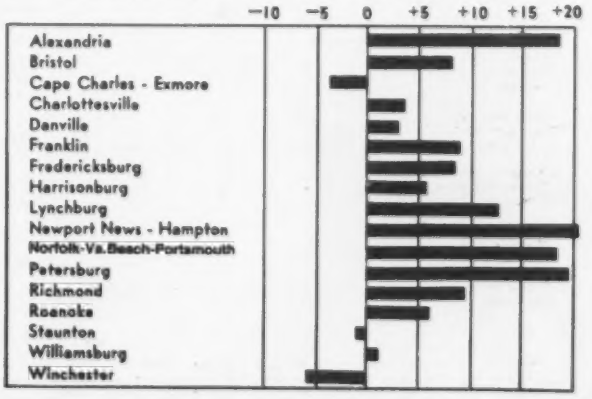


Chart II
City Indices
Percentage Change January, 1985 from January, 1984



the November growth rate of 3.7 percent. The first quarter employment growth is likely to be strong as production rises in response to new orders, but growth in subsequent quarters will follow a declining trend. New jobs will be available, but the overall growth rate for 1985 will be considerably less than in 1984.

For the individual urban areas, the economic indicators generally gave very mixed readings in January — each area had some weaknesses as well as strengths. In general, Northern Virginia, identified as the Alexandria area in our tables, and the Newport News-Hampton area showed the most consistent strength, and therefore the best overall results. Petersburg also displayed substantially more strength than weakness, a promising sign for that area. For the rest of the areas, the January business indicators generally showed a satisfying beginning for 1985, with the exception of the Eastern Shore (Cape Charles-Exmore) and the Shenandoah Valley urban areas of Staunton and Winchester. Most of the urban areas we cover began 1985 with general business gains which support the view that 1985 will be a year of more moderate but quite healthy economic growth for Virginia.

RLP

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I January, 1985

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	DECEMBER NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		316.9	157.9	145.4	85.6	250.9	267.2	89.0	133.1	122.5
Alexandria	142.6	247.1	1171.1	154.2	N.A.	118.4	406.4	97.5	161.9	N.A.
Bristol	130.6	30.0	22.1	118.7	44.6	88.4	102.9	84.0	145.6	272.1
Cape Charles - Exmore	127.7	63.0	75.4	123.7	N.A.	87.8	N.A.	N.A.	118.9	198.1
Charlottesville	160.4	377.4	150.1	137.5	N.A.	154.0	103.6	105.2	165.8	228.7
Danville	110.0	N.A.	252.3	110.8	91.6	92.3	100.7	88.9	102.1	190.0
Franklin	124.4	N.A.	92.1	143.1	94.1	91.8	N.A.	96.8	116.2	220.8
Fredericksburg	154.7	76.1	59.6	N.A.	119.8	173.3	N.A.	57.5	133.1	333.2
Harrisonburg	135.6	103.8	48.0	N.A.	93.3	107.0	N.A.	107.9	128.9	254.3
Lynchburg	220.0	434.8	22.4	123.1	N.A.	111.8	100.0	103.2	151.8	746.8
Newport News - Hampton	137.6	214.8	202.5	125.1	72.7	97.9	66.3	130.7	178.9	N.A.
Norfolk - Va. Beach - Portsmouth	151.4	303.8	139.3	165.3	83.9	109.5	87.2	75.1	208.7	N.A.
Petersburg	124.2	108.1	155.4	N.A.	39.3	82.3	101.2	93.1	150.1	204.3
Richmond	132.0	312.3	140.4	164.2	104.7	124.2	118.1	101.0	115.1	216.2
Roanoke	118.5	575.3	82.4	108.4	123.4	95.8	110.8	100.0	89.9	250.5
Staunton	105.2	117.2	8.9	N.A.	65.8	92.9	N.A.	N.A.	87.9	208.7
Williamsburg	121.2	142.4	323.1	161.6	N.A.	105.1	N.A.	64.4	89.9	247.4
Winchester	126.5	247.2	30.5	125.2	136.1	119.5	N.A.	122.7	84.9	254.0

TABLE II January, 1985

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	DECEMBER NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	DEC. RETAIL SALES ‡
The State		6.8	2.1	-4.8	10.4	3.7	3.8	2.0	20.3	8.7
Alexandria	18.5	-9.4	351.9	-5.4	N.A.	0.9	7.2	11.6	34.6	13.0
Bristol	7.7	-15.3	-70.1	-13.1	-7.0	-4.0	2.2	0.9	25.7	-7.1
Cape Charles - Exmore	-3.7	-26.4	-61.4	-4.9	N.A.	1.9	N.A.	-5.2	-4.6	-0.8
Charlottesville	3.3	13.8	-91.1	-5.2	N.A.	13.0	4.5	-2.3	4.7	8.8
Danville	2.8	N.A.	-77.3	-0.2	15.0	-13.4	1.5	7.8	3.5	16.0
Franklin	8.6	N.A.	186.1	-4.6	0.1	0.0	N.A.	2.5	20.7	54.0
Fredericksburg	8.1	3.1	24.6	N.A.	14.3	17.9	N.A.	-7.4	7.9	23.0
Harrisonburg	5.5	235.3	-47.7	N.A.	10.5	18.5	N.A.	0.8	1.0	11.0
Lynchburg	12.8	-14.1	-62.0	-10.1	N.A.	8.7	2.1	-15.4	31.1	11.4
Newport News - Hampton	20.2	1.0	80.9	-2.6	12.3	-6.6	5.5	8.5	43.2	-2.7
Norfolk - Va. Beach - Portsmouth	16.6	53.5	-34.1	-5.7	12.9	5.9	4.2	-0.4	34.5	4.0
Petersburg	18.0	-7.2	-4.2	N.A.	-8.5	-14.5	3.5	-4.6	45.2	10.8
Richmond	9.1	0.3	133.2	-2.1	3.7	-9.1	2.4	5.0	22.1	8.7
Roanoke	5.7	11.0	34.5	-4.7	17.9	5.6	4.9	-5.9	9.0	13.1
Staunton	-0.8	19.7	-92.0	N.A.	-4.5	1.5	N.A.	N.A.	-0.4	-3.2
Williamsburg	1.2	-17.4	143.3	-5.3	N.A.	-27.5	N.A.	-10.9	16.9	19.0
Winchester	-5.7	13.1	10.6	-5.8	16.7	-6.0	N.A.	-6.5	-12.7	1.1

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
‡Preliminary data based on a survey sample.
†Revised data based on sales tax information which lags behind current reports.

N.A. - Not Available
0.0 - No Change

Employment Growth in Virginia SMSAs

In the January perspective for 1984, we illustrated with November employment data that job growth was the most salient feature of Virginia's 1984 economic performance. The new benchmark employment data for 1983 and 1984 now are available from the Virginia Employment Commission, giving a more accurate and complete measure of the State's nonagricultural employment in the past two years. The benchmark data are based on comprehensive quarterly reports, and therefore include job information not picked up in the monthly surveys. For a year of rapid job growth such as 1984, this generally means the February benchmark measures reveal higher growth than the monthly surveys, particularly in retail trade and services. Therefore to provide a more precise view of job growth in 1984, half of this issue is devoted to the benchmark employment data, in total and by major types, for Virginia and its ten Standard Metropolitan Statistical Areas (SMSAs). The SMSAs are emphasized since Virginia was discussed at length in the January issue. One technical note- the SMSA definitions used here are the familiar ones which applied through July 1, 1983 and which the VEC has used in its monthly reports to the present. In the future, the new definitions now in use in Federal statistics will be utilized by the VEC and the *Virginia Business Report*.

Table III gives the 1984 nonagricultural employment, in total and for each of nine industry groups, for the State, each of the ten SMSAs, and the ten SMSAs combined. Reading across the rows shows the size of each industry's employment in relation to the total for the area, and reading down the column indicates where the State's employment in each category is concentrated. Table IV shows the employment growth rates from 1983 to 1984, for each industry and SMSA.

The ten SMSAs together account for 74.7 percent of Virginia's total nonagricultural employment, so metropolitan job growth dominates in the State job growth rate. The ten

NONAGRICULTURAL EMPLOYMENT IN VIRGINIA AND TEN STANDARD METROPOLITAN STATISTICAL AREAS

Average Employment in Thousands, 1984

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	2,325.0	194.8	225.3	131.8	127.6	513.0	117.2	492.8	167.6	336.8
Sum of SMSAs	1,736.3	127.7	118.2	99.4	100.2	399.8	100.4	396.4	150.2	242.4
Northern Virginia	559.9	17.4	11.1	34.9	38.5	127.2	34.5	164.3	74.0	57.4
Bristol	28.2	5.0	4.8	1.0	1.1	6.6	1.1	3.7	0.6	4.3
Charlottesville	60.1	6.5	3.7	3.1	2.0	10.7	3.2	9.8	1.2	19.8
Danville	39.6	3.0	15.2	1.5	1.0	7.5	1.1	5.3	0.3	4.7
Lynchburg	72.4	17.4	10.2	2.8	3.2	13.3	3.2	12.6	0.6	9.2
Newport News	164.0	33.1	6.5	7.7	4.7	34.7	5.1	33.6	16.8	21.6
Norfolk	319.9	15.9	11.7	22.1	20.1	80.8	16.3	70.2	38.6	44.1
Petersburg	42.4	2.2	5.3	2.0	1.2	8.7	1.2	6.4	5.2	10.2
Richmond	342.9	15.7	40.5	18.8	20.2	83.1	28.3	66.4	9.6	59.9
Roanoke	106.9	11.5	9.2	5.5	8.2	27.2	6.4	24.1	3.3	11.2

TABLE IV

Employment Percentage Change, 1983-1984

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	5.4	6.5	2.1	15.7	6.0	6.8	6.4	7.0	2.9	-0.4
Sum of SMSAs	6.0	6.2	2.6	17.1	5.4	6.4	7.2	7.5	3.7	1.7
Northern Virginia	9.8	12.3	19.4	22.9	10.6	8.3	12.0	10.3	6.3	5.3
Bristol	4.8	13.6	9.1	11.1	0.0	0.0	22.2	5.7	20.0	-4.4
Charlottesville	5.1	-3.0	8.8	19.2	5.3	5.9	14.3	6.5	0.0	3.1
Danville	1.0	3.4	-3.2	7.1	0.0	4.2	0.0	3.9	0.0	0.0
Lynchburg	4.5	5.5	2.0	12.0	6.7	6.4	0.0	4.1	20.0	3.4
Newport News	4.7	3.1	4.8	11.6	0.0	8.8	8.5	5.7	0.0	0.5
Norfolk	5.4	7.4	3.5	16.3	1.5	7.2	5.1	5.8	1.3	2.1
Petersburg	1.4	4.8	-8.6	17.6	0.0	3.6	0.0	-5.9	6.1	6.3
Richmond	3.3	7.3	0.7	15.3	4.1	3.1	3.7	5.7	-1.0	-1.6
Roanoke	4.6	8.3	3.4	5.7	0.0	5.4	3.2	7.6	0.0	-1.8

Source: Virginia Employment Commission, February, 1985 Benchmark Employment Data.
Bureau of Business Research calculations.

SMSAs achieved overall employment growth of 6.0 percent in 1984. The State growth was a lower 5.4 percent, accounted for by the non-SMSA employment growth of only 3.6 percent.

Northern Virginia alone had average nonagricultural employment of 559.9 thousand in 1984, representing 32.2 percent of the State total. That SMSA also had the highest overall 1984 employment growth rate, 9.8 percent. Its growth rates in the nine industry groups were all positive and the highest in the State in four groups: nondurable goods manufacturing, + 19.4 percent; construction, + 22.9 percent; transportation and public utilities, + 10.6 percent; and services, + 10.3 percent. Strong manufacturing growth has been occurring there, but the major force at work has been the inmigration of people to a growing area where the unemployment rate consistently has been 3 percent or less. People moving there because of job opportunities in turn have generated high demand growth in construction and private services as well as general trade and local government services. The high 9.8 percent employment growth in Northern Virginia pulled the average SMSA rate to 6.0 percent. As Table IV shows, no other SMSA had a growth rate as high as 6.0 percent; and only one other, the Norfolk-Virginia Beach-Portsmouth SMSA, had a growth rate as high as the 5.4 percent State-wide rate.

The Norfolk SMSA growth rate of 5.4 percent was the second highest among the SMSAs. The key feature in this SMSA's performance is balanced growth, as we noted in the July issue. Its employment growth rates in the nine industry groups ranked fifth among the SMSAs in 6 groups, and third in 3 groups. Thus its growth was not exceptional in any one group, but its sustained growth in all categories produced strong overall employment growth. It also is interesting to note that the two most rapidly growing SMSAs, Northern Virginia and Norfolk, had less than 10 percent of their total employment in manufacturing.

The Charlottesville SMSA had the third highest employment growth rate, 5.1 percent. This is a substantially higher rate than the monthly data indicated, since the benchmark 1984 data revealed significantly more job growth had occurred in construction, services, wholesale and retail trade, and State and local government. Its growth rates ranked second among all SMSAs in construction, + 19.2 percent; finance, insurance and real estate (FIRE), + 14.3 percent; and services + 14.3 percent. In addition, nondurable goods manufacturing increased by 8.8 percent, the third highest rate. The only negative was a decline of 3.0 percent in durable goods manufacturing.

No other SMSAs had employment growth above five percent. However, four other SMSAs did have strong growth in the four percent range: Bristol, 4.8 percent; Newport News-Hampton, 4.7 percent; Roanoke, 4.6 percent; and Lynchburg, 4.5 percent. Bristol's strength was high employment growth in manufacturing, particularly its 13.6 percent gain in durable goods manufacturing which was the highest rate among all SMSAs. Its main weakness has been the lack of growth in wholesale and retail trade employment- it was the only SMSA which showed no growth in 1984 in this category. The Newport News-Hampton SMSA showed a pattern almost the direct opposite of Bristol's. The Newport News area achieved only moderate growth rates in its already high level of manufacturing employment but led the State with its growth rate of 8.8 percent in wholesale and retail trade. Of the nine industry groups examined, the wholesale and retail trade employment of 34.7 thousand in this SMSA is its largest source of total employment, slightly above the 33.6 thousand in services and 33.1 thousand in durable goods manufacturing.

The Roanoke SMSA growth of 4.6 percent resulted from a fairly balanced growth across most industry groups, highlighted by its 8.5 perent growth in durable goods manufacturing (third in the State) and 7.6 percent growth in service sector jobs (second in the State). Thus the diversity of its growth in 1984 was the main attribute of its strong employment growth.

The Lynchburg SMSA had 38.1 percent of its employment in manufacturing in 1984, compared to an average of 14.2 percent for the 10 SMSAs combined and 18.1 percent for Virginia. Therefore even though its 5.5 percent growth in durable goods manufacturing ranked sixth among the SMSAs and the 2.0 percent growth in nondurable goods manufacturing ranked seventh, the ability to sustain manufacturing employment gains was the key to Lynchburg's substantial overall job growth. Without continued strength in its manufacturing base, the higher growth rates in other industry groups alone would not have produced the total nonagricultural employment growth of 4.5 percent. However, its 6.4 percent growth in wholesale and retail trade, the fourth highest among the SMSAs, is an encouraging sign of increasing balance in its economic base.

The Richmond SMSA realized more modest employment growth of 3.3 percent. The relatively strong 7.5 percent increase for durable goods manufacturing was offset by almost no change in nondurable goods manufacturing, yielding a 2.6 percent net gain in manufacturing. Government employment, both Federal as well as State and local, declined in 1984. Private sector trade and services registered moderate employment growth accompanied by a high growth rate in construction employment, indicating continued strength in most types of private businesses.

The Petersburg-Colonial Heights-Hopewell SMSA turned from negative to positive employment growth in 1984, with a 1.4 percent gain. The continued depressing effect of the decline in nondurable goods manufacturing (tobacco) and a loss of service jobs over the year was more than offset by substantial increases in government employment plus a modest gain in trade employment. For this SMSA, just returning to net growth has been a long, hard task.

The lowest employment growth among the SMSAs in 1984 was the 1.0 percent growth rate in the Danville SMSA, where in December the unemployment rate still was 9.3 percent, the highest for any SMSA. The continued decline in textile industry employment dampened the growth rates in trade and services, leaving the overall performance almost flat.

In sum, 1984 was the year of job growth in Virginia. Northern Virginia had spectacular growth, and seven other SMSAs achieved moderate to strong increases. Only Petersburg and Danville did not share adequately in the Commonwealth's very healthy employment growth.

RLP

Prepared by the Bureau of Business Research
The College of William and Mary
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4/5/85

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 297 March, 1985

Business in Virginia February, 1985 Data

The data received during the past month contained an unusually large number of surprises. Our first thought was that a few Irish elves decided to scramble the numbers, just for the fun of watching us try to put the pieces back in reasonable order. But, double-checking many of the numbers showed they are correct. So, the question is what do they mean? Each year there are a couple months with erratic movements, since monthly fluctuations can be quite volatile. We will offer some possible explanations for the movements reported in this issue, with the caveat that one month's variations are not sufficient evidence for identifying trends.

One surprise was in a series which we report with a one-month lag, nonagricultural employment. In the February issue we said we expected employment growth year over year should be fairly strong in the first quarter. However, the January nonagricultural employment was 5.4 percent above January 1984, a growth rate which matches the yearly average for 1984. That level of employment growth is well above the "fairly strong" level--there were 121,000 more nonagricultural payroll jobs this January than last.

Closer examination shows the job growth primarily was where we expected. Nonmanufacturing accounted for 113,400 additional workers, or 94 percent of the increase. Trade and services were the big leaders, with a 38,000 person (7.7 percent) rise in trade and 32,000 (6.8 percent) improvement in services. Some of the specific categories with large percentage gains also were logical. Hotels and motels showed a 16.4 percent gain; eating and drinking places, 10.7 percent; and business services, 9.6 percent. These three gains are consistent with our earlier expectation of increased weight on consumption of nondurable goods and services plus a better tourist year for Virginia in 1985.

Construction employment was 16 percent above last January, an increase of 18,200 workers. That was a mild surprise, given the January weather conditions, but it did follow a 72.7 percent increase in building permits in December. A lot of cold construction workers were on the job in January. We still expect construction growth to ease, and the January increase of only 2.1 percent in building permits seemed to be pointing in that direction. However, now we find that building permits increased 19.1 percent in February. Building permits are a highly erratic series whose month-to-month changes can be quite unpredictable. But, our predictions for the year will have to be revised upward a notch or two if Northern Virginia's recent performance continues in the spring. There, the year over year increases were 522 percent in December, 352 percent in January, and 111 percent in February. That area alone accounted for 45 percent of the Statewide gain in construction workers in January. The nonagricultural employment growth rates of 7.2 percent in December and 11.5 percent in January in the Northern Virginia Metropolitan Statistical Area (MSA) provide strong evidence their boom is continuing, a boom which is creating new demand for all types of construction. That alone would push up the overall State performance. Then, too, there is the continued high growth in building permits in the Richmond and Roanoke areas, which also bear watching in the coming months.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change February, 1985 from February, 1984

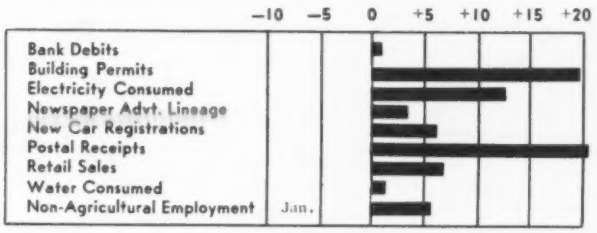
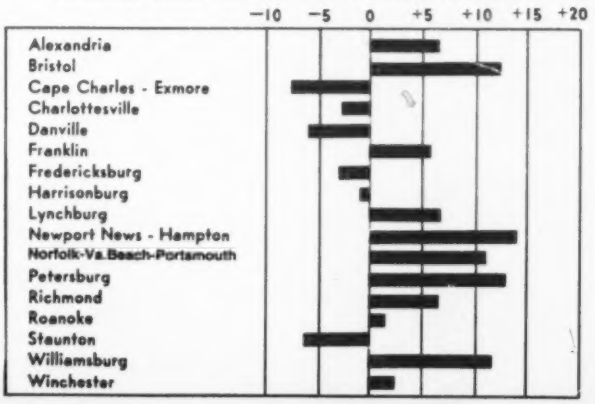


Chart II

City Indices

Percentage Change February, 1985 from February, 1984



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Bristol	144.0	25.8	58.0	150.0	83.3	62.4	104.0	103.1	156.7	282.7
Cape Charles - Exmore	110.9	62.4	103.9	N.A.	N.A.	57.7	N.A.	N.A.	98.4	201.5
Charlottesville	160.3	343.8	63.0	147.5	N.A.	95.1	103.6	96.7	167.7	279.9
Danville	107.7	N.A.	49.5	100.9	94.2	72.7	97.8	75.8	93.9	236.1
Franklin	124.9	N.A.	71.6	137.6	88.6	119.7	N.A.	87.6	107.5	243.0
Fredericksburg	153.8	67.8	68.1	N.A.	128.5	150.6	N.A.	53.1	127.7	361.1
Harrisonburg	133.4	34.0	88.9	N.A.	97.6	88.7	N.A.	126.7	123.8	249.6
Lynchburg	251.3	146.2	64.2	140.3	N.A.	72.7	95.7	104.6	149.3	993.6
Newport News - Hampton	123.6	118.5	273.5	134.9	73.4	74.1	[123.5	115.1	155.9	N.A.
Norfolk - Va. Beach - Portsmouth	140.4	270.5	214.0	179.6	84.1	87.1		64.7	189.1	N.A.
Petersburg	121.1	108.9	33.1	N.A.	38.4	59.1	[114.2	79.5	152.6	213.2
Richmond	133.3	280.2	192.5	169.6	98.1	93.0		88.8	118.6	261.4
Roanoke	138.9	357.7	45.7	122.2	119.4	73.7	110.7	87.5	146.8	267.8
Staunton	109.9	101.8	54.8	N.A.	63.7	71.4	N.A.	N.A.	97.4	231.8
Williamsburg	131.7	117.2	129.4	177.6	N.A.	116.1	N.A.	63.7	100.0	264.7
Winchester	142.2	215.6	23.9	141.9	141.8	102.4	N.A.	128.3	106.6	303.0

TABLE II February, 1985

Percentage Change from same month last year.

CITY	CITY INDEX *	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JANUARY NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN. RETAIL SALES ‡
The State		-0.8	19.1	12.8	3.7	6.3	5.4	0.9	7.1	0.8
Alexandria	6.2	-14.1	110.9	15.1	N.A.	-5.1	11.5	3.5	7.8	5.8
Bristol	12.2	-29.3	41.5	10.4	17.2	-25.8	3.6	4.3	26.5	-10.2
Cape Charles - Exmore	-7.5	3.4	30.4	N.A.	N.A.	-33.0	N.A.	0.7	-1.8	-3.3
Charlottesville	-2.6	4.0	-81.1	14.0	N.A.	-16.2	5.5	-5.7	-2.5	-28.0
Danville	-5.9	N.A.	-42.6	-1.0	2.7	-19.1	0.5	3.7	-9.1	-8.5
Franklin	5.2	N.A.	249.4	16.8	-1.3	19.7	N.A.	-0.1	0.4	-35.0
Fredericksburg	-2.9	-6.1	19.5	N.A.	7.1	1.3	N.A.	-1.5	-8.1	-15.9
Harrisonburg	-0.2	5.4	-25.1	N.A.	-3.1	26.0	N.A.	3.1	-9.1	9.4
Lynchburg	6.4	-32.3	23.6	8.7	N.A.	-23.7	-1.0	-5.5	19.6	-6.1
Newport News - Hampton	14.2	-33.7	10.7	11.7	6.5	-2.6	[5.4	9.4	24.8	12.6
Norfolk - Va. Beach - Portsmouth	11.0	34.2	9.3	17.6	10.5	-4.5		-2.7	18.8	9.7
Petersburg	12.8	-29.5	-62.6	N.A.	-14.8	-6.6	[1.8	-2.2	33.5	4.3
Richmond	6.9	1.2	175.0	9.3	-0.4	4.4		3.6	10.5	-5.6
Roanoke	1.2	-24.7	123.0	11.2	3.1	-1.0	5.5	-10.2	1.8	-6.4
Staunton	-6.2	7.2	66.6	N.A.	-11.7	-11.7	N.A.	N.A.	-2.6	-2.2
Williamsburg	11.2	-22.0	-22.8	18.4	N.A.	17.1	N.A.	-13.2	14.9	35.6
Winchester	2.5	2.3	-58.2	2.8	-0.5	-2.3	N.A.	1.6	5.2	14.7

TABLE III

Percentage Change January - February from same period last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JAN.-DEC. NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN.-DEC. RETAIL SALES‡
The State		3.2	9.9	3.5	6.9	4.9	5.4	1.5	13.4	17.5
Alexandria	11.8	-11.5	239.1	4.2	N.A.	-1.9	9.8	7.7	20.3	21.4
Bristol	10.4	-22.4	-30.2	-1.4	7.5	-14.4	4.8	2.8	26.1	12.4
Cape Charles - Exmore	-5.5	-14.1	-34.8	N.A.	N.A.	-15.6	N.A.	-2.5	-3.2	12.7
Charlottesville	0.4	8.9	-89.6	3.8	N.A.	-0.3	5.1	-4.1	1.0	16.0
Danville	-1.7	N.A.	-74.8	-0.6	8.4	-16.0	1.0	5.9	-3.1	15.1
Franklin	6.5	N.A.	210.7	4.8	-0.6	10.3	N.A.	1.3	9.8	25.9
Fredericksburg	2.2	-1.4	21.8	N.A.	10.5	9.6	N.A.	-4.7	-0.8	38.6
Harrisonburg	2.4	118.0	-34.9	N.A.	3.1	21.7	N.A.	2.0	-4.2	18.4
Lynchburg	9.4	-19.6	-22.0	-1.0	N.A.	-6.9	4.5	-10.7	25.0	16.9
Newport News - Hampton	17.1	-14.9	32.6	4.3	9.3	-4.9	4.7	8.9	34.1	11.0
Norfolk - Va. Beach - Portsmouth	14.0	43.7	-13.2	5.2	11.7	1.0	5.4	-1.5	27.2	15.9
Petersburg	15.0	-19.9	-24.8	N.A.	-11.7	-11.4	1.4	-3.5	38.9	13.6
Richmond	7.5	0.7	155.7	3.4	1.7	-3.8	3.3	4.3	15.7	16.1
Roanoke	3.3	-6.1	56.7	3.1	10.1	2.6	4.6	-8.0	5.2	16.8
Staunton	-3.5	13.5	-55.9	N.A.	-8.2	-4.7	N.A.	N.A.	-1.5	6.4
Williamsburg	3.7	-19.5	50.6	5.8	N.A.	-9.4	N.A.	-12.1	12.7	18.2
Winchester	-1.7	8.7	-36.2	-1.4	7.2	-4.3	N.A.	-2.5	-3.6	21.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
[ ]Only total MSA data are available for these areas.

The biggest surprise was in the other series we report with a one-month lag, taxable retail sales. In January (published in the February issue) our sample of retail stores reported substantial gains over the preceding January. The sample groups in nine of the urban areas achieved double-digit growth. Only in three of the seventeen areas was there a decline from last January. Now we have the Virginia Department of Taxation's January figures on total sales subject to Virginia's Sales and Use Tax, and their percent changes are shown in the last column of Table II. Their data indicate that taxable sales declined in ten of the seventeen areas compared to last January, and the Statewide increase was only 0.8 percent. Those results occurred concurrently with the high employment growth in trade and services cited above. Obviously some establishments did very well in January, while many others had a disappointing month. What was the pattern? We have no conclusive answers. One partial explanation is our sample's emphasis on establishments selling nondurable goods and services, types of products for which the outlook is continued strong demand growth, as opposed to the heavier weighting on durable goods in the taxable sales data, types of goods where demand is expected to grow less rapidly than last year. That explantion gets some support from the February new car sales data. The February increase was 6.3 percent Statewide, with declines in 12 of the 17 urban areas compared to the same period last year. However, a temporary decline in durable goods demand should not by itself cause such wide differences between the January sample results and Department of Taxation figures. Other possibilities include fluctuations in the demand for business equipment and building materials, which are categories in the taxable sales data but not our sample. But, weak demand for building materials seems inconsistent with the high level of construction employment. A comprehensive review of what happened will have to wait until the full first quarter taxable sales report by type of business is available. Until then, all we can be sure of is the establishments in our sample fared much better in January than the overall retail sector.

For February, the Bureau's retail sample showed considerably less growth, 7.1 percent overall, than the 20.3 percent January growth rate. In the February issue we said we expected the growth rate to decline by about one-half. The somewhat larger drop in the growth rate for one month is not out of line, although the fact that six of the seventeen areas reported sales below last February is a disappointment.

In sum, the data reported this month contained several surprises, some pleasant and some not so pleasant. The employment and construction data were above expectations, while the retail sales results fell below expectations with no satisfactory explanation. The next couple of months will show whether the data were merely the result of erratic movements which often occur in the short term as the economy moves to lower growth rates. However the short-term volatility displayed so far does not weaken the Bureau's confidence in the longer-term outlook for Virginia, described in the second article in this issue. In spite of the surprises, the cumulative results in Table III generally reinforce our favorable outlook for the Commonwealth for 1985 and 1986. RLP

Virginia in 1985 and 1986

1984 was a great year for Virginia. So great that many estimated 1984 values for key variables were wrong at yearend. They were **too low.**

Adjusting the 1984 numbers upward does more than give a higher base for forecasting 1985 and 1986. The adjustments also change the amount of growth and type of growth to expect, especially for 1985. Let us look at some specifics.

The Virginia Employment Commission's February benchmark revisions for nonagricultural payroll employment were reported in detail in our February issue. A summary of the State performance in 1983 and 1984 is reported in Table IV. The average level for 1984 was 2,325,000 payroll workers, an increase of 5.4 percent in 1984. That is 2 percent higher, or over 45,000 more workers, than one of the State models projected in November. So, we find there was much more job growth in 1984 than many people thought just four months ago. And, that growth rate was the highest since 1973's 5.9 percent. The higher employment growth in 1984 has many ramifications affecting 1985 and beyond. First and foremost, the 5.4 percent growth **definitely** was above the limit that could be met by Virginia's existing population, even with a reasonable increase in the labor force participation rate. Therefore in 1984 there had to be a substantial inmigration of people to fill many of the jobs available here. We will not know for some time just how many new Virginians we did get in 1984. Our eclectic view is a net of 90,000 to over 120,000 persons moved to Virginia in 1984. If correct, that means total population growth in 1984 was between 2.4 and 3 percent. Such a growth rate is at least **twice** the 1.2 percent estimated growth in 1983, with **two-thirds** or more of the growth resulting from net inmigration.

Some of the new Virginians filled jobs here, but they also caused part of the high job growth. They demanded housing, and they increased the demand for everything from food to furniture as well as personal and professional services. So, they were responsible for part of the high job growth in construction, trade, and services.

The high job growth and inmigration in 1984 means the earlier estimates of total Virginia resident personal income also were too low. And, they will remain too low until tax return data can be analyzed which show the full wage and salary income and the extent of the imported non-wage income. Remember the new Virginians brought income-earning assets and entitlements with them, which now will be counted as Virginia personal income.

Table V shows the Bureau's current estimates of Virginia's 1984 personal income. Our judgmental estimate is Virginia personal income probably was about $75.1 billion in 1984, making the increase from 1983 almost 12 percent, a higher growth rate than the U.S. Bureau of Economic Analysis data through the third quarter imply.

So, we appear to have had higher job growth, much larger net inmigration, and higher total personal income in Virginia in 1984 than was expected. Our higher estimates offer a logical explanation for part of the very high demand growth in Virginia's metropolitan areas, especially in Northern Virginia.

The upward revision of the 1984 data also has a strong impact on the level of employment and income expected in 1985 and 1986. The Bureau's predictions for the State in 1985 and 1986 are given in Tables IV and V. The 1984 momentum definitely will carry over to 1985 and well into 1986, but with lower growth rates than in 1984. The surges in 1984, particularly in industries such as construction, will begin to run their course. Virginia personal income should increase by almost 9 percent from our 1984 estimate, bringing the total to about $81.8 billion in current dollars.

For 1986, we predict Virginia's income growth also will be strong, reaching $88.7 billion in current dollars, an 8.4 percent gain. That projection rests on the ripple effects still at work in Virginia plus an optimistic national outlook. So, the Bureau looks for two more strong years in Virginia. Years with decelerating growth more in the line with the national pace, but still very substantial gains. For each year, these predicted Virginia growth rates for personal income are about 1.0% higher than the current consensus on the national growth rates (8.9% vs 7.8% in 1985; 8.4% vs 7.5% in 1986).

What about the employment growth? The Bureau's projected levels and growth rates are shown in Table IV. The 1984 performance and continued growth will leave us with substantially higher **levels** of employment in 1985 and 1986. Higher in total, higher in manufacturing, and higher in nonmanufacturing. However, the employment projections show growth rates for both 1985 and 1986 which are less than one-half of the actual rate in 1984. That implies the inmigration surge will not be sustained, at least not by 20-45 year olds moving here to accept jobs.

The employment levels in Table IV do indicate a slightly higher concentration of employment in nonmanufacturing in 1985 and 1986. Nonmanufacturing is projected to rise from 81.9 percent of total nonagricultural employment in 1984 to 82.2 percent in 1986, mainly in response to the higher trade, service, and local government demands of a larger resident population. However, the Bureau's forecasts do include a 30,200 increase in manufacturing jobs between 1983 and 1986. Manufacturing employment has been growing and will continue to grow in Virginia. But, like the nation, that growth will be overshadowed by employment growth in nonmanufacturing. The strongest nonmanufacturing growth here will be in trade and services, just as at the national level.

Which metropolitan areas of the commonwealth will fare the best? We will offer our best "guestimates." Northern Virginia truly is on a roll, and we do not foresee any reasons why it will not continue to dominate in industrial, commercial, and residential growth. The Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA) also will maintain strong growth, based mainly on private, not government, growth. If these areas were public corporations, they definitely would be labeled as blue chip growth stocks. As somewhat riskier growth investments, you have Lynchburg and Roanoke. Both have the diversity and momentum to remain growth centers for the next two years. Those four areas are likely to be the leaders among the State's eight MSAs.

The Charlottesville and Bristol MSAs should realize moderate growth. The Richmond-Petersburg MSA also should achieve satisfying growth, bolstered by a turnaround in the Peterburg area's performance. The only real question mark seems to be the Danville MSA. Their industrial mix remains quite vulnerable to foreign competition, making it more difficult to regain upward momentum. In general, the Bureau's outlook for Virginia is for two more years of sustained growth, with nearly all of the State sharing in this prosperity.

RLP

Table IV

Virginia Nonagricultural Employment
March 1985 Estimates
Bureau of Business Research

Year	Total (000)	Per. Chg.	Manu. (000)	Per. Chg.	Nonmanu. (000)	Per Chg.
1983 Actual	2,206.9	2.8%	403.6	1.6%	1.803.3	3.1%
1984 Actual	2,325.0	5.4	420.1	4.1	1,904.9	5.6
1985 Est.	2,383.7	2.5	427.6	1.8	1,956.1	2.7
1986 Est.	2,436.8	2.2	433.8	1.4	2,003.0	2.4

Table V

Virginia Resident Personal Income
March 1985 Estimates
Bureau of Business Research

Year	$ Billion	Percent Change from Preceding Year
1983 Actual	$67.2	8.0%
1984 Est.	75.1	11.8
1985 Est.	81.8	8.9
1986 Est.	88.7	8.4

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